

~~TOP SECRET~~

17 June 1958

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CENTRAL
INTELLIGENCE
BULLETIN



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17 JUNE 1958

I. THE COMMUNIST BLOC

Soviet ambassadors in Washington, London, and Paris called to Moscow, possibly in connection with summit meeting or central committee plenum.

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II. ASIA-AFRICA

Lebanon - Government still expects all-out rebel effort, with UAR aid, to be launched in Beirut.

Cyprus - Tensions on the island and in Greece and Turkey remain high.

Nuri Said dissatisfied with Western aid offers; insists on adherence of Kuwait to Arab Union.

Pakistan's economy continues to deteriorate.

Two leading Laotian conservative parties merge; will seek to form rightist cabinet.

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**III. THE WEST**

⑦ Argentina considering talks with bloc on technical, scientific, and cultural exchanges.

LATE ITEM

⑧ Nagy execution signifies Kremlin's return to direct control of satellites.



CENTRAL INTELLIGENCE BULLETIN

17 June 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

No
USSR: Soviet ambassadors in Washington, London, and Paris have been recalled to Moscow, probably for discussions bearing on a summit meeting and possibly for a plenum of the Soviet party central committee. Work on the draft seven-year plan is scheduled to be completed by 1 July, and the plan will presumably be discussed by the committee before publication. None of these ambassadors, however, is a full member of the committee; their presence in Moscow would not necessarily indicate a plenum is in session.

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II. ASIA-AFRICA

No
*Lebanon: Lebanese military authorities still believe an "all-out" opposition effort will be launched in Beirut, with the aid of UAR sabotage and assassination teams. UN Secretary General Hammarskjold believes he cannot increase the number of UN observers in Lebanon beyond 350 without further authority.

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yes
Cyprus: Tensions on the island and on the mainland remain high. Both Greece and Turkey have notified Hammarskjold of their concern, but an appeal to the Security Council is unlikely at this time. Popular resentment in Greece and Turkey could take an anti-American turn. On Cyprus, where

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16 have been killed and more than 200 injured in recent communal violence, curfew regulations are being relaxed. Greek and Turkish Cypriots continue to move out of areas with mixed populations.

no

Arab Union: Prime Minister Nuri Said has made it clear he is not satisfied with American and British offers of aid. He also insists that Kuwait must join the Arab Union, and he has gained the support of top Jordanian political leaders for this demand. Nuri states he wants \$6,000,000 more than the \$29,000,000 offered, and a firm commitment within the next few days on his demand that the British force Kuwait to join the union not later than 1 April 1959.

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yes

Pakistan: The economic situation in Pakistan continues to deteriorate. Failure to increase food production and the downward trend in export earnings are added strains on an economy already severely burdened by heavy military expenditures. The fact that Pakistan has large cotton surpluses offers the Sino-Soviet bloc an opportunity to exploit the country's economic situation.

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yes

Laos: The merger of the two leading conservative parties, under the name "Rally of the Lao People," is the first step toward establishing unified opposition to the Communists and their allies. The new party's first major task will be the formation of an all-rightist cabinet, for which it apparently has enough votes.

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III. THE WEST

yes

Argentina: Foreign Ministry officials indicate the strong likelihood of early talks with the Soviet bloc regarding the

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DAILY BRIEF

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exchange of technical experts and more contacts in the cultural and scientific fields--a move probably intended to underline Argentina's need for economic assistance. Argentina is now taking steps to request an International Monetary Fund technical mission. [redacted]
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LATE ITEM

yes
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*Nagy execution: Death sentences carried out against Imre Nagy, General Maleter, and two of their associates in the Hungarian revolt suggest that the Kremlin, in its drive for a unified bloc opposition to Tito, has returned to a policy of direct control over internal satellite affairs. [redacted]

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I. THE COMMUNIST BLOC (No Back-up Material)

II. ASIA-AFRICA

Lebanese Situation

Tension remains high in Beirut, and Lebanese military authorities still expect an "all-out" rebel attempt to seize control of the city. These officials claim that a large number, possibly 500, of Syrian and other Arab experts in sabotage and assassination have infiltrated into the city to aid the expected rebel effort. Relative quiet prevailed in Beirut during 16 June, with a few bombs going off and some sniping. One bomb blew up near the American University, but no casualties resulted. Armed Christians are patrolling the waterfront.

Opposition leader Saib Salam is reported to have stated on 15 June that he had been maintaining good relations with the army and General Shihab, but that within the past couple of days he had become "irritated" with the general.

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According to the American army attaché, there is a growing sentiment among the populace that the army is not doing all it can to put down the revolt. The attaché believes the army still has means within Beirut to put down any serious outbreak there.

General Shihab told the American ambassador on 14 June that he has discerned a recent increase in the ability of the military opposition which suggested to him that experienced cadres from outside the country were participating in the overall direction of the insurrectionary movement. The general reiterated that he thought it essential that a new and "neutral" government be formed, since he felt the opposition and middle-of-the-road elements could not cooperate with the present government. Shihab claimed that "when this is all over," he would retire from active service. According to the general, the Moslem opposition is increasingly crystallizing into an anti-Christian,

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anti-Western force and will consider the presence of the UN observers a pro-Chamoun, anti-Moslem development.

Iraq, in an attempt to divert Syrian attention from Lebanon, is reported readying its Third Division for movement to the H-3 pumping station, near the southern Syrian border.

While UN Secretary General Hammarskjold has initiated plans to increase the UN observer force in Lebanon to 50 officers and 300 men, he probably would not go beyond this number without further authority from the UN. He has advised the Lebanese delegate that Beirut's request for 1,000-2,000 men "for the protection of the observers" would have to be referred to the Security Council. The likelihood of a Soviet veto would force the issue into the assembly, and Hammarskjold hesitated to predict the outcome of an emergency General Assembly session on Lebanon's request. Hammarskjold's trip to Beirut on 17 June is probably designed to permit him to maintain that the need for a force of such size is based on his personal observation in the area.

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Cyprus Situation

Cyprus was tense but quiet while intensive diplomatic activity continued in London, Athens, and Ankara on the eve of Britain's anticipated announcement of its new plan for resolving the Cyprus problem. The long-awaited plan, unsatisfactory to both Ankara and Athens, is expected to be announced in Parliament on 17 June by Prime Minister Macmillan.

Renewal of communal violence on Cyprus may follow shortly after formal announcement of the British plan. In Turkey, where mass meetings in support of the Cypriot Turks continue, the announcement may lead to new demonstrations and attempted moves against the Greek minorities in Istanbul and Izmir. In the light of inflamed Greek public opinion against Turkey for allegedly supporting recent Turkish-Cypriot violence against the Greek Cypriots, attacks on the Greek minority in Turkey would lead to serious repercussions in Greek-Turkish relations.

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Economic Deterioration in Pakistan

Declining cotton exports and continuing food-grain imports are causing Pakistan's foreign exchange reserves to fall rapidly. Efforts to conserve foreign exchange by restricting imports have forced most industries to operate at about 50 percent of capacity. The heavy cost of Pakistan's military program--which absorbed 65 percent of the 1958-59 revenue budget--plus the government's failure to impose adequate taxes on the politically influential landowners, leaves few resources available for an economic development program. At best, Pakistan's rate of economic development is likely merely to keep up with population growth.

The present ruling group apparently is neither willing nor able to take the measures needed to reverse the economic deterioration. The Pakistani public, frustrated over the inability of its leaders to make headway against major problems, is in a mood to seek a scapegoat. The American Embassy in Karachi, noting that US aid has not checked the economic decline and is identified in the public mind with maintaining in power what many regard as a discredited group, fears popular antagonism may take an anti-American turn.

As part of an effort to exploit such a sentiment and expand its ties with Pakistan, the Sino-Soviet bloc might offer to purchase part of Pakistan's sizable--and currently unsalable--cotton surplus. [redacted]

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Laos

The merger announced on 16 June of Laos' two principal conservative parties--the Nationalists and the Independents--is the first positive step toward blocking consolidation of political gains registered by the Communist Neo Lao Hak Zat party in the recent parliamentary elections. If discipline is maintained, the new political force, called the "Rally of the Lao People," should control 38 votes in the 59-man National Assembly. Additional support from smaller non-Communist groupings in the assembly is expected to increase the party's majority.

The anti-Communist merger opens the way for the early formation of an all-rightist government to replace the temporary coalition, including two Communists, that was created after the integration of the Pathet Lao last November. Incumbent Premier Souvanna Phouma, who has been elected president of the new party, has pledged he would exclude Communist representatives from a new cabinet.

The long-run effectiveness of the new conservative party against the threat of a Communist victory in next year's general elections will depend on whether its diverse elements can work together to combat corruption in government and establish grass-roots support. Negotiations leading to the merger revealed the continuation of the personal rivalries which split the conservative vote in the recent elections, allowing the Communist bloc to win 14 of the 21 seats at stake.

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III. THE WEST

Argentina May Seek Increased Technical Exchange With The Soviet Bloc

Argentine Foreign Ministry officials indicate the strong likelihood that their government may approach the Soviet bloc in the near future regarding the exchange of technical experts and more contacts in the cultural and scientific fields. While the officials stated on 14 June that the initiative comes from the Soviet bloc, it may be a pressure tactic intended to underline Argentina's need for economic assistance.

The officials told an American Embassy officer, whom they queried about possible US reaction, that discussions were in a preliminary stage with no decisions made, but the government "felt it necessary" to effect some increase in the exchange of persons. The need was not explained. Argentina at present maintains an embassy in Moscow and legations in Prague, Bucharest, Warsaw, Sofia, and Budapest.

The Foreign Ministry also indicated that it was taking steps to request the International Monetary Fund to send a technical mission to Argentina in July to begin preliminary studies leading to the conclusion of a financial agreement on which Argentina has already agreed in principle. The ministry may regard this as a prelude to requesting American assistance.

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LATE ITEM**Execution of Nagy**

The executions of former Hungarian Premier Imre Nagy and three other revolutionary leaders, abruptly announced by Budapest, suggest that Moscow, worried by its failure to gain unified bloc reaction to the condemnation of Tito, has returned to a policy of directly intervening in internal satellite affairs. The tone of the announcement, reminiscent of the Stalinist days, will be interpreted in Eastern Europe as a call for much harder internal policies, with the result that action will be taken against revisionists and other dissident elements within the satellite parties. The Soviet leadership probably would not have been willing to risk the highly unfavorable reactions in the uncommitted nations and the negative effects on the pending talks with the West, unless it was seriously alarmed over developments in Eastern Europe.

The decision to execute Nagy--a decision almost certainly made in Moscow--obviously takes Soviet policy in Eastern Europe to such a bitter extreme that the decision will probably, if it has not already, come under discussion before the central committee. Although a "Stalinist" spirit, with which Khrushchev has only recently associated himself in public, is now clearly dominant in Moscow, there remains a possibility of political divisions within the Soviet leadership which could erupt at a central committee session.

The action against the Hungarian revolutionary leaders will serve to isolate Yugoslavia even more from the bloc. By underlining Khrushchev's charges against Tito and specifically his accusation that the Yugoslav Embassy acted as a center for the revolutionaries, the executions take another long step toward the complete rupture of Yugoslav-Soviet and Yugoslav-Hungarian relations, and serve to warn would-be "autonomists" within the bloc that association with or reliance on Tito is a fatal liability.

While Kadar's own primacy in Hungary may not be affected immediately, the execution of Nagy appears to have ominous overtones for Gomulka and probably will further diminish his independence within the bloc. In recent months the Polish leader had apparently come to believe that Kadar was a party leader who was capable of exercising a limited degree of flexibility in his policies. Although Gomulka cannot help but interpret the executions as a warning, he is unlikely to reverse his key policies.

Within Hungary the populace will take the executions as conclusive proof that Kadar is a puppet of the Kremlin. In any event, the close parallel between his endorsement of Nagy's execution and Rakosi's death sentence on Laszlo Rajk in 1949 will strike all Hungarians as a return to the police terror of Cominform days.

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